Supreme Court, U.S.
FILED
JUN 4 1980
MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

October Term, 1979

No. 79-1771

TRIO PROCESS CORP., *et al.*,

Petitioners,

v.

L. GOLDSTEIN'S SONS, INC., *et al.*,

Respondents.

RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

ARTHUR M. LIEBERMAN
HOPGOOD, CALIMAFDE, KALIL,
BLAUSTEIN & LIEBERMAN
Attorneys for Respondents
60 East 42nd Street
New York, New York 10165
(212) 986-2480

TABLE OF CONTENTS

	PAGE
Introduction	1
Counterstatement of the Case	2
Reasons Why the Writ Should Be Denied	4
Conclusion	7

TABLE OF AUTHORITIES

PAGE

Cases:

Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 477 (1964) 2, 3

Boesch v. Graff, 133 U.S. 697 (1890) 3
Buckley v. Littell, 539 F.2d 882 (2d Cir. 1976) 7

Dowagiac Mfg. Co. v. Minnesota Moline Plow Co., 235 U.S. 641 (1915) 3

Georgia-Pacific Corp. v. United States Plywood Corp., 318 F. Supp. 1116 (S.D.N.Y. 1970), modified 446 F.2d 295 (2 Cir. 1971) 2

Mayor of New York v. Ransom, 65 U.S. (23 How.) 487 (1890) 3

Randolph Laboratories, Inc. v. Specialties Development Corp., 213 F.2d 873 (3 Cir. 1954) 4
Rude v. Westcott, 130 U.S. 152 (1889) 3

Seymour v. McCormick, 57 U.S. (How. 16) 480 (1853) 6
Simpson v. United States, 322 F.2d 688 (5 Cir. 1963) 7
Sinclair Refining Co. v. Jenkins Petroleum Process Co., 289 U.S. 689 (1933) 3

United States v. National Lead Co., 332 U.S. 319 (1947) 3

Miscellaneous:

35 U.S.C. §284 2
Wright & Miller, Federal Practice and Procedure, Vol. II §2820 7

IN THE

Supreme Court of the United States

October Term, 1979

No.

TRIO PROCESS CORP., *et al.*,

Petitioners,

v.

L. GOLDSTEIN'S SONS, INC., *et al.*,

Respondents.

RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Introduction

The single issue in this nonjury, civil litigation, is how much money respondents are to pay to petitioners for infringing the petitioners' expired patent.

Petitioners do not challenge the legal standard utilized by the Court of Appeals to determine the amount of the respondents' liability in Trio Process IV, but instead repeat

the oft-repeated contention of an unsuccessful litigant that the Court of Appeals "trespassed" upon the fact-finding role of the District Court.

The Court of Appeals' opinion in Trio Process IV is hardly the "classic instance" of "a developing trend" among the Courts of Appeals to arrogate to themselves the fact finding role of the District Court, as argued by petitioners.* Rather, it is the Court of Appeals exercising its traditional office of review.

Counterstatement of the Case

The District Court in its first decision on the issue of damages (p. 42a)** relied on *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 477 (1964), which held that petitioners are not entitled to recover as their damages the respondents' cost savings or cost benefits derived from infringement, but rather that the amount of petitioners' damages are to be based on "a reasonable royalty" as mandated by 35 U.S.C. 284.

In its determination of a reasonable royalty, the District Court first considered the prevailing rate at which the petitioners had consistently granted and offered licenses under the patent over a 12-year period.† It then multiplied that rate by an arbitrary factor based on what the District Court termed the "depressing effect" (p. 55a) on the

* Petitioners' Brief, p. 3.

** Page references throughout are to the Appendix.

† *Georgia-Pacific Corp.* v. *United States Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970) modified 446 F.2d 295 (2 Cir. 1971).

prevailing royalty rate caused by respondents' infringement of the patent.

The Court of Appeals in Trio Process III found no error in the District Court's focus on *Aro*, "that the only damages Trio had suffered was loss of royalties it would have received" (pp. 72a-73a). Nor did it find error in the District Court's finding that the royalty rate established by petitioners "*may* have been artificially depressed . . . and that the reasonable royalty should therefore be set at a level above the actual license rate."

The Court of Appeals in Trio Process III did, however, find error in the absence of "any basis for the district court's choice of a particular royalty", and remanded the matter to the District Court with instructions to "give proper regard to the rule that the extent of the deviation of exising license fees from a reasonable royalty must be determined solely on the basis of the submitted evidence . . . not upon merely conjecture" (p. 74a), citing a line of Supreme Court decisions.*

In particular, the case was remanded with instructions to the District Court to provide a factual basis for its finding of a depressant effect, and if one could be shown to have existed, to provide a factual basis for the extent of that effect.** The District Court was given free rein

---

* *Mayor of New York* v. *Ransom*, 65 U.S. (23 How.) 487 (1860); *Rude* v. *Westcott*, 130 U.S. 152 (1889); *Boesch* v. *Graff*, 133 U.S. 697 (1890); *Dowagiac Mfg. Co.* v. *Minnesota Moline Plow Co.*, 235 U.S. 641 (1915); *Sinclair Refining Co.* v. *Jenkins Petroleum Process Co.*, 289 U.S. 689 (1933); *United States* v. *National Lead Co.*, 332 U.S. 319 (1947) (pp. 74a-75a).

** "There was no description of the manner in which the royalty rate was affected by the evidence proffered . . ." (p. 74a).

to take additional evidence as it saw necessary to fill in any evidentiary gap (fn. 24 p. 76a).

Upon remand, petitioners were able to offer no evidence of a depressing effect or of the extent of such an effect. The District Court returned (p. 80a) to the "economic benefit" theory, which it had previously discarded as contrary to law (p. 55a), and computed a new amount of damages.

Upon an appeal from that decision, the Court of Appeals in Trio Process IV reviewed the reasons for prior remand (i.e., to consider any evidence of respondents' infringement having "artificially depressed" the royalty rate and the extent of that depression) and finding neither vacated the District Court's determination of damages (p. 90a).

The Court of Appeals in Trio Process IV, as it had previously done under similar circumstances in *Randolph Laboratories Inc.* v. *Specialties Development Corp.*, 213 F.2d 873 (3 Cir. 1954), finding no basis for a depressant effect on a prevailing royalty rate that had been established by ten licenses granted over 12 years, adopted this rate as reasonable royalty.

Reasons Why the Writ Should Be Denied

The foregoing description of the Court of Appeals' basis for vacating the District Court's judgment hardly reveals an "increasing tendency of cerain Court of Appeals", and we assume by this petitioners mean the Third Circuit Court of Appeals, "to overstep the bounds of nor-

mal appellate review and to substitute their own findings of fact . . .'"*

Indeed, the Court of Appeals itself in Trio Process IV rejected any suggestion that it had assumed the role of fact-finder stating at footnote 6 of the majority opinion (p. 90a):

> "Here, we vacate the determination of damages because it does not comply with the rule of law set forth in Trio Process III and not, as the dissent asserts, because we have set ourselves up as a fact-finding authority."

This statement is hardly lip service in view of the clear legal precedents on which the majority relied.

Petitioners' "Reasons For Granting the Writ" are further unsoundly premised at the outset. The "theory of damages set forth by the majority" is not that set forth in the first sentence of petitioners' argument (p. 9 of Petitioners' Brief). It is not a single 1965 letter (in which petitioners offered respondents a license under the prevailing royalty rate), nor was such a letter ever "controlling" on the Court of Appeals decision. The "Theory" followed by the Court of Appeals, which was based on the prevailing law on damages, constrained petitioners to the evidence rather than to unsubstantiated claims made by petitioners in an attempt to increase the prevailing royalty rate.

Contrary to the dissenting opinion, the majority of the Court of Appeals in Trio Process IV did not resort to any "elaborate concept of causation solely for the purpose of

* Petitioners' Brief, p. 10.

inducing the fact finder to award [a different amount]" (p. 102a dissent). Rather, the Court of Appeals simply found that petitioners "consistently offered licenses at the rate of $2,600 per furnace year" and had, in fact, made respondents an offer of a license at this rate, which was refused. Mindful of the Supreme Court's admonition concerning the need for clear and direct evidence to allow a deviation or departure from these existing royalties,* the Court of Appeals then returned to the existing license rate as the proper measure of petitioners' actual damages.

It is the petitioners, and not the Court of Appeals, who had need to resort to an elaborate concept of causation. The Court of Appeals in Trio Process IV vacated the judgment of the District Court who had simply failed to follow a mandate steeped in precedent.

Moreover, the question of whether or not the Court of Appeals did act in a fact-finding role assuming, *arguendo,* that it did, still falls far short of raising a constitutional or federal question that would call for a review by this Court.

This is not a case of an appellate review of a trial court's setting aside a jury verdict as being excessive; no jury was ever involved at any point in this lengthy litigation. Yet, petitioners' request for review is based solely on precedents and authorities concerning the appropriateness of appellate review of a district court's modification of a *jury* verdict of damages.

---

* e.g. *Seymour* v. *McCormick,* 57 U.S. (How. 16) 480, 490 (1853).

Wright and Miller on whom the petitioners rely in their petition, state explicitly that "there is no problem in [the appellate review of] nonjury cases" §2820 p. 127; *Simpson* v. *United States,* 322 F.2d 688 (5 Cir. 1963); *Buckley* v. *Littell,* 539 F.2d 882 (2 Cir. 1976).

Conclusion

The Court of Appeals in Trio Process IV vacated the District Court's computation of damages for having failed to apply the correct legal standard, which is consistent with that applied by this Court and by the various Courts of Appeal. There is nothing appealable from such a decision.

Respectfully submitted,

ARTHUR M. LIEBERMAN
HOPGOOD, CALIMAFDE, KALIL,
BLAUSTEIN & LIEBERMAN
Attorneys for Respondents
60 East 42nd Street
New York, New York 10165
(212) 986-2480

Dated: June 5, 1980